

**REGULAR STATE CREDIT UNION BOARD MEETING
HELD BY CONFERENCE CALL
OFFICE OF THE COMMISSIONER
DEPARTMENT OF FINANCIAL INSTITUTIONS
2000 SCHAFER STREET, SUITE G
BISMARCK, NORTH DAKOTA**

September 7, 2007

The regular meeting of the State Credit Union Board was called to order by Chairman Karsky in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota, at 9:30 a.m., Friday, September 7, 2007.

MEMBERS PRESENT: Timothy J. Karsky, Chairman (*Office*)
Paul Brucker, Member (*Office*)
Melanie Stillwell, Member (*Williston*)
Steven Tonneson, Member (*Minot*)
Darlene Watne, Member (*Minot*)

MEMBERS ABSENT: None

ALSO PRESENT: Robert J. Entringer, Secretary (*Office*)
Jim Laidlaw, Chief Examiner – Credit Unions (*Office*)
Corey Krebs, Financial Institutions Examiner (*Office*)
Todd Van Orman, Financial Institutions Examiner (*Office*)
Aaron Webb, Assistant Attorney General (*Office*)

WELCOME NEW BOARD MEMBER

Chairman Karsky officially welcomed Darlene Watne, who was appointed by Governor Hoeven to serve on the State Credit Union Board as the member-at-large, effective July 1, 2007. Chairman Karsky indicated he had not had the opportunity to meet Member Watne; however, he does know who she is. Chairman Karsky asked Member Watne to tell the Board about herself.

Member Watne indicated she is currently Chairman of the Ward County Commissioners. She continued that she retired as a State Senator in 2000; is a retired court reporter; and also helps run her husband's real estate company.

MINUTES PREVIOUSLY APPROVED BY MAIL

Chairman Karsky indicated the Board had previously received and approved the minutes of the regular meeting held on June 15, 2007.

ARTICLES OF AMENDMENT TO THE BYLAWS – ELM RIVER CREDIT UNION, PAGE

Assistant Commissioner Entringer indicated the amendment to the bylaws for Elm River Credit Union, Page, is adding a new Section under Article XVIII, General. Assistant Commissioner Entringer indicated a similar amendment was previously approved for Freedom Community Credit Union, Fargo. Assistant Commissioner Entringer indicated that Freedom Community Credit Union and Elm River Credit Union have a common committee member; therefore, a conflict of interest section to the bylaws was adopted by Freedom Community Credit Union, and Elm River Credit Union is now proposing to adopt a similar provision.

Assistant Commissioner Entringer stated that the Department has no objection to the proposed amendment; viewing it as a corporate governance issue.

Chairman Karsky asked for clarification that the one-mile radius of any credit union locations applies to Elm River Credit Union's locations, and Assistant Commissioner Entringer stated that is correct.

Member Tonneson asked for the rationale behind the one-mile radius, and Assistant Commissioner Entringer indicated he had attempted to contact Manager Erin Olstad; however, she was not available, and therefore cannot answer this question.

Member Tonneson asked for clarification on what a competing financial institution was, and Chairman Karsky indicated it would include credit unions, banks, and thrifts.

It was moved by Member Tonneson, seconded Member Stillwell, and unanimously carried to approve the Articles of Amendment to the Bylaws of Elm River Credit Union, Page.

ADDITION TO THE AGENDA – MID AMERICA CREDIT UNION ASSOCIATION

Chairman Karsky reviewed the letter received from Greg Tschider on behalf of the Mid America Credit Union Association, which respectfully requests the State Credit Union Board adopt a regulation to permit state-chartered credit unions to grant 40-year mortgages. Mr. Tschider's letter also stated that 40-year mortgages are an acceptable financing arrangement, adding that there is a segment of the credit union membership that desire this financing vehicle. Mr. Tschider also pointed out that 40-year mortgages are saleable on the secondary market and credit unions would not generally hold these mortgages; however, this provides credit unions another opportunity to be competitive in the marketplace and provide additional services to its members.

Chairman Karsky indicated in the North Dakota Administrative Code there is a regulation under Section 13-03-02-03 which limits amortized real estate loans secured by real property to 30 years in an amount of 90% of the appraised value of the property being mortgaged as security for the loan.

Chairman Karsky indicated if the Board acts on this request the Department would have to go through the administrative rulemaking process to amend this particular Section.

Member Stillwell asked if federal credit unions can do 40-year mortgages, and Chairman Karsky indicated he believes they can.

Member Brucker indicated the gray area is whether or not it is legal for a credit union to make a 40-year mortgage and then immediately sell it off into the secondary market, stating that is the genesis for this inquiry. Member Brucker asked what the process would be to address this issue, and Chairman Karsky described the administrative rulemaking process, pointing out that it takes approximately six to nine months for this process.

Chairman Karsky indicated since there is a specific rule on the books, the wild card statute cannot be used to authorize state-chartered credit unions to do 40-year mortgages.

Assistant Commissioner Entringer indicated his question would be whether credit unions want to limit themselves to 40-year mortgages since there is a 50-year mortgage product also on the market today.

Member Brucker stated perhaps the Board should review what the bankers' law is, to which Assistant Commissioner Entringer indicated there is no limitation whatsoever for banks.

Chairman Karsky stated he would like to limit this to 40-years because the regulation does not require that a real estate mortgage be sold on the secondary market and he would hate to see a credit union make a 50-year mortgage and then hold it on its books.

Members Brucker and Tonneson indicated they feel the 40-year mortgage should suffice at least for the present time.

Member Stillwell indicated she agreed with the 40-year mortgage, adding that most people will follow safety and soundness practices and sell the 40-year mortgage on to the secondary market.

Assistant Commissioner Entringer indicated he would hate to go through the rulemaking process to change one number from 30 to 40, due to the cost considerations, and that perhaps we need to "tweak" some other aspects of the North Dakota Administrative Code to make it more cost effective.

Member Stillwell suggested reviewing the North Dakota Administrative Code and having this as an agenda item for the December meeting.

Chairman Karsky stated he will inform Mr. Tschider it is the Board's plan to review the North Dakota Administrative Code to see if there are other areas that needed to be updated or enhanced.

Member Brucker suggested the Board direct the Department staff to review the North Dakota Administrative Code and send it out to the Board for review whenever prudent.

Chairman Karsky indicated if necessary, a special meeting can be held to discuss this issue.

Member Brucker asked if it would be appropriate for the Board to review the North Dakota Administrative Code and make suggestions to staff also, and Chairman Karsky indicated it would.

The Board members were told to contact Assistant Commissioner Entringer if they find a Section they believe should be amended.

Chairman Karsky informed the Board there is a pending application, which has been published, for a merger of Town and Country Credit Union, Minot, and Ryder Co-op Credit Union, which includes a payout of equity.

Chief Examiner Laidlaw added that Ryder Co-op Credit Union would like to pay its equity down to 7% and then merge into Town and Country Credit Union, Minot.

RECOGNITION OF YEARS OF SERVICE OF JIM LAIDLAW

Chairman Karsky congratulated Chief Examiner Laidlaw for completing 30 years of service with the Department and presented him with a Certificate signed by Governor Hoeven and himself, along with a token of the Department's appreciation. The Board members congratulated Chief Examiner Laidlaw.

The Board went into closed session at 9:51 a.m.

Timothy J. Karsky, Chairman

Robert J. Entringer, Secretary